

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-190-E - ORDER NO. 2001-492

MAY 22, 2001

IN RE: Application of Carolina Power & Light)	ORDER APPROVING
Company for Authority to Issue and Sell)	APPLICATION TO ISSUE
Additional Securities (Long-Term Debt).)	AND SELL SECURITIES
)	(LONG-TERM DEBT)

This matter comes before the Public Service Commission of South Carolina (the "Commission") upon Application of Carolina Power & Light Company (the "Company"), filed on May 8, 2001, requesting authority to issue and sell additional securities in the form of long-term debt.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The names and post office address of its attorneys are: William F. Austin, Austin, Lewis & Rogers, Post Office Box 11716, Columbia, South Carolina 29201; and Patricia Kornegay-Timmons and Len S. Anthony, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, and authorized to do business in South Carolina. Its principal office is located at 410 S. Wilmington Street, Raleigh, North Carolina, 27601. The Company is primarily engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at December 31, 2000, consisted of 159,608,055 shares of Common Stock with an associated shareholder equity of \$1,625,894,000, and Preferred Stock with a stated value of \$59,334,000. As of December 31, 2000, the retained earnings of the Company were \$1,226,144,000.

The Company's existing long-term debt at December 31, 2000, consisted of principal amounts of \$1,800,000,000 in First Mortgage Bonds and \$1,819,984,000 in other long-term debt, including \$486,297,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by Douglas J. MacInnes, who presently is acting as Individual Trustee, as supplemented by seventy Supplemental Indentures (the "Mortgage").

3. The Company's capital requirements are projected to total approximately \$1.9 billion during the period 2001 through 2003.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to issue and sell up to \$1,000,000,000 of additional long-term debt securities. The Company intends to sell the proposed long-term debt securities during the effective period of a shelf Registration Statement that the Company has filed with the Securities and Exchange Commission in connection with the registration of such securities. The shelf Registration Statement included a prospectus relating to the proposed \$1,000,000,000 principal amount of long-term debt securities. A copy of the

Registration Statement, including the prospectus is attached to the Company's Application. The Company recently issued \$300 million principal amount of its unsecured Medium-Term Notes. Immediately following that issuance, there were no securities available for issuance pursuant to the Order issued by this Commission in Docket No. 1999-008-E on January 20, 1999.

The net proceeds to be received from the proposed issuance of up to \$1,000,000,000 in additional long-term debt securities will be used (i) to finance the Company's ongoing construction and maintenance program, (ii) to redeem repurchase, repay or retire outstanding indebtedness, (iii) to finance future acquisitions of other assets, and (iv) for other general corporate purposes. The Company has \$600 million of long-term debt which will mature during the effective period of the Registration Statement. For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures is included with the Company's Application.

5. The Company will consider the issuance of First Mortgage Bonds including secured medium-term notes, debt instruments sold to European investors ("Eurobonds"), unsecured debt, including unsecured medium-term notes, debentures, senior notes that initially will be secured by one or more series of First Mortgage Bonds, but will become unsecured when the Company's other First Mortgage Bonds are repaid, redeemed or otherwise retired, or other forms of long-term debt securities not specifically referenced herein. The Company continuously monitors rates, terms and conditions for alternative forms of debt financing and will determine which type of security offers the

most favorable terms to the Company. In general, the Company will only consider issuing additional long-term debt securities for refunding purposes when a new issue can be priced at least .5% below the break-even rate of the issue to be refunded and if the refunding yields net present value savings of \$500,000 or more. (Break-even rate includes consideration of call premium and issuance expenses.)

6. The Company proposes to issue the additional long-term debt securities either in discrete financing transactions or pursuant to a continuous offering program. Under a continuous offering program involving the debt securities, secured and/or unsecured medium-term notes could be continuously offered and issued in an amount deemed appropriate and necessary by the Company but in no event exceeding the amount authorized pursuant to the Company's Application.

7. The Company proposes to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance in accordance with the terms thereof. The interest rate will be determined by the Company at or prior to the sale of the securities. The Company intends to determine the method of sale and the financial institution(s) which will offer the most favorable terms to the Company.

8. To the extent the proposed long-term debt securities are the Company's First Mortgage Bonds, they will be created and issued under, and subject to, the provisions of the Company's Mortgage, as heretofore supplemented and as to be further supplemented by a Supplemental Indenture substantially in the form attached to the

Company's Application as Exhibit B, to be executed in connection with their issuance. To the extent the proposed long-term debt securities are senior notes, they will be created and issued under, and subject to the provisions of the Indenture (for Senior Notes), dated as of March 1, 1999 between the Company and The Bank of New York, as Trustee, as amended and supplemented, which is substantially in the form attached to the Company's Application as Exhibit C, as further supplemented by Supplemental Senior Note Indentures, to be executed in connection with their issuance. To the extent the long-term debt securities are other forms of securities not specifically referenced in the Company's Application, they will be created and issued under and subject to the provisions of the Indenture (for Debt Securities), dated as of October 28, 1999 between the Company and The Chase Manhattan Bank, as Trustee, as amended and supplemented, which is attached to the Company's Application as Exhibit D or one or more additional indentures relating to Debt Securities, substantially in the form attached to the Company's Application as Exhibit E, in either case, as supplemented by Supplemental Debt Securities Indentures, to be executed in connection with their issuance.

9. The Company estimates that it will incur expenses, excluding underwriting fees, in the range of approximately \$1.42 million in connection with a private placement of or a public offering of the debt securities. Underwriting fees may vary significantly depending on the terms of the offering.

10. In the period from January 1, 1999 through December 31, 2000, the Company had a net increase in cash and cash equivalents of approximately \$11,077,000

(excluding noncash activities). Attached to the Company's Application as Exhibit F is a statement of such cash flows.

11. Pursuant to Order 91-72 in Docket No. 91-032-E, the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company has responded to each of those questions as follows:

- a. The Company's Consolidated Financial Statements as of December 31, 2000 are attached to the Company's Application as Exhibit G. Pro forma financial statements showing the effect of the proposed issuance and sale of additional long-term debt securities are attached to the Company's Application as Exhibit H.
- b. The net proceeds to be received from the proposed issuance of up to \$1,000,000,000 of additional long-term debt securities will be used (i) to finance the Company's ongoing construction and maintenance program, (ii) to redeem, repurchase, repay or retire outstanding indebtedness, (iii) to finance future acquisitions of other assets, and (iv) for other general corporate purposes. The Company has \$600 million of long-term debt which will mature over the period covered by the Registration Statement. For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures is included with the Company's Application.
- c. If the authority to issue and sell additional long-term debt on the conditions set forth above is delayed or not granted, the Company's ability

to take advantage of financial market and liability management opportunities may be impaired, resulting in higher costs to the Company and possibly its ratepayers.

- d. The expected effective interest rate of the additional long-term debt securities issuance will depend upon market conditions and the terms of the offering at the time the debt is issued.
- e. The issuance of long-term debt securities benefits the Company by enabling it to achieve the purposes set forth in paragraph (b) above. Information regarding the expected costs of the proposed long-term debt securities is provided in paragraph 9 of the Company's Application.
- f. The impact of the proposed transaction on the Company's capital structure at December 31, 2000 is represented in the pro forma financial statements provided in Exhibit H to the Company's Application.

12. Approval of the Company's Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances.

13. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the proposed issuance and sale of additional long-term debt of not more than \$1,000,000,000:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED THAT:

1. Carolina Power & Light Company be and hereby is authorized, empowered and permitted; (i) to issue and sell up to \$1,000,000,000 of additional long-term debt securities pursuant to the terms and conditions described herein at such times as the Company may deem necessary or advisable, and (ii) to execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or transactions.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances.

3. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)